



**Financial Services Agency  
Government of Japan**



*Bank of Japan*

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Office of the Comptroller of the Currency

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Chairman  
Board of Governors of the Federal Reserve System

Ms. Jelena McWilliams  
Chairman  
Federal Deposit Insurance Corporation

Mr. Jay Clayton  
Chairman  
Securities and Exchange Commission

Mr. J. Christopher Giancarlo  
Chairman  
Commodity Futures Trading Commission

October 12, 2018

Re: Comments on the Proposal to Simplify and Tailor the Volcker Rule

Dear Sirs/Madam,

We are writing to provide our comments in response to your release dated July 17, 2018 asking for public comments on the proposal to simplify and tailor the Volcker rule.

We would first like to express our appreciation to the U.S. authorities for this proposal, which addressed part of our concerns expressed in the previous consultation process by the OCC last year. This proposal removes and modifies requirements for TOTUS (Trading Outside The United States) treatment, which is consistent with our request for clarification of the requirements.

That said, we would like to request your due consideration of important remaining issues.

First, the Volcker rule is applied uniformly to foreign banking groups including entities outside the United States, if foreign banking groups have a branch or agency in the U.S.

These entities include those without any transactions that may be potentially harmful to the U.S. For example, an IT system affiliate outside the U.S. is subject to the Volcker rule and is obliged to set up the necessary compliance structure and governance. This excessive extraterritorial application of the Volcker rule places an undue burden on foreign financial institutions. Such entities should be exempted from the rule because they pose no material risk to the U.S. financial system.

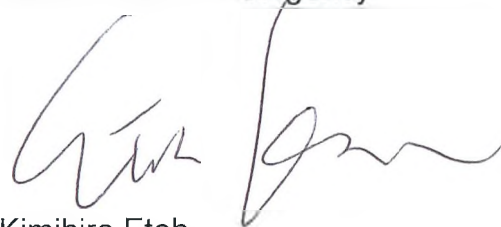
Second, with respect to our concern that foreign excluded funds could be treated as banking entities, we thank the U.S. authorities for extending the validity period of the no action letter in order to consider this issue. However, there are uncertainties on the future regulatory treatment of foreign excluded funds under the current temporary exemption. We seek a permanent exemption to avoid the uncertainties.

We sincerely hope that the U.S. authorities will continue to engage in a dialogue with foreign financial institutions on practical matters as well and make necessary amendments to the Volcker rule in order to strike the proper balance between costs and benefits of the regulation. Last but not least, the JFSA and the BOJ are committed to ensure that Japanese financial institutions fully comply with foreign regulations.

Yours sincerely,



Ryozo Himino  
Vice Minister for International Affairs  
Financial Services Agency



Kimihiro Etoh  
Executive Director  
Bank of Japan

CC:  
Mr. David R. Malpass  
Under Secretary  
Department of the Treasury